

# THE EFFECT OF EMPLOYEE PERCEPTION ON HRM AND SERVICE QUALITY OF THE SELECT PUBLIC SECTOR BANKS IN TIRUVARUR DISTRICT OF TAMIL NADU

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**Abstract :** Purpose of this study is to measure the effect of human resource (HR) practices on the employee perception in banking sector of Thiruvapur district. The research has performed through a sample survey on convenience sampling based data set about 224 different levels of employees from the banks in different locations of Thiruvapur district. A structured questionnaire was used to collect primary data related to some HR issues namely- staffing, training, compensation, Performance appraisal and employee relations of the designed banks. Findings of study provide a clear guidance to the banking practitioners/policy makers to take further steps in achieving the organizational goal through the employee perception.

**Key words:** Employee perception, HR Practice, Compensation, Performance appraisal

## 1.1 INTRODUCTION

The success of the bank mainly depends on the services provided to the customers and the quality of services rendered on the employee performance or the competency of them. There are a number of studies and surveys conducted to improve the performance of the banks. The HRM is a developed concept. It has tremendous relevance to service sector like Bank. Human input is the single largest input that goes in the banking industry. The level of efficiency/productivity of this input gets reflected in the quality of service offered by the banks to its customers, as also in its ultimate growth, productivity and profitability. Human Resource Management Practices have been studied extensively among manufacturing, service and Small Medium Enterprises. However only a few studies have addressed the banking industry. Even these researchers have not explored Human Resource Management Practices and its effect on organizational commitment.

## 1.2 STATEMENT OF THE PROBLEM

Banks have to tone up their employee's knowledge and skills. Attitudes have to be changed to equip them to meet the increasing client expectations. Realizing the importance of customer oriented corporate culture and continuous up gradation of skill of their manpower in ensuring growth and maintaining its pre-eminent position, the banks heralded in redesigning the HRM area. It is a considerable study had yet to be made on the HRM aspects of banks as only in the last decade, several HRM systems have been evolved and experimented. This is an area in which banking industry needs considerable change in the basic premises for human resource management and development. Hence, the present study entitled "A Study on the effect of HRM Practices on service quality of the select Public Sector Banks in Thiruvapur District", has been undertaken. The area covered is Thiruvapur district only and the study is restricted to the public sector banks.

## 1.3 OBJECTIVES OF THE STUDY

1. To achieve and maintain good human relationships within the organization
2. To determine the effect of Human Resource Management (HRM) practices on employee performance.
3. To know the HRM practices adopted by the banking organization.
4. To determine the status of Human Resource Management (HRM) practices in banking sector.
5. To determine the relationship between Human Resource Management (HRM) practices and Employee's Performance.

## 1.4 REVIEW OF LITERATURE

*Nanayakkara (1999)* in his study on "Changing Paradigms in Human Resource Management" pointed out that the performance of the banks (as any other service sector organization) highly depends on their Human Resource Management (HR). Hence, efficient and effective HR practices of selecting the right people, who would maximize value and minimize cost within the organization remains a challenging task.

This was also observed by *Randy (2000)*- "Why Loyal Employees and Customers Improve the Bottom Line" that between 40 and 80 percent of customer satisfaction and loyalty is determined by the customer-employee relationship, depending upon the industry and market segment. At sears, employee satisfaction accounts for 60 to 80 percent of customer satisfaction. At the Royal Bank of Canada, 40 percent of the difference in how customers view its services can be linked directly to their relationship with bank staff.

Therefore, if customers are well treated and their needs fully catered for, employee productivity increases leading to increase in performance.

According to *Kamesam (2004)* the core function of Human Resource Development (HRD) in the banking industry is to facilitate performance improvement, measured not only in terms of financial indicators of operational efficiency but also in terms of the quality of financial services provided. Factors like skills, attitudes and knowledge of the human capital play a crucial role in determining the competitiveness of the financial sector. The quality of HR indicates the ability of banks to deliver value to customers.

*Krishnamurthy K. V. (2004)* highlighted the deficiencies in compensation policies as follows. In the process, we are paying same compensation to the performers and non-performers, the talented and the menials, often unable or unwilling to make the distinction, creating a disastrous situation where those with talent look for exit options like Voluntary Retirement Scheme (VRS).

*Patnaik (2004)* Chief Manager (HRD) Central Bank of India opines that "Recruitment policy should go beyond writing eligibility criteria. Man power planning and recruitment policies should be reviewed and institutionalized."

*Bimal Jalan (2004)* Ex-Governor, Reserve Bank of India stated that "A major challenge for many banks will be to develop the special competencies and skills for credit appraisal and risk management in an environment of deregulation and openness".

## 1.5 RESEARCH METHODOLOGY

The study embraces in its fold selected public sector banks in Thiruvapur District. The sample units thus account for roughly taken 500 employees working in the public sector banks. Both types of data i.e., secondary and primary data have been used in the present study. The secondary data was collected at first from the text books, web sites, journals and other secondary sources. Since the present study is based on primary data, structured Questionnaire was used to collect data to analyze the effect of HRM practices on the service quality among the public sector banks.

### 1.5.1 Research Design

The research design refers to the overall strategy used by the researcher to pursue the research study to integrate the different components of the study in a coherent and logical way, thereby, ensuring effective exposure of the research problem; it constitutes the blueprint for the collection, measurement, and analysis of data. This study uses Descriptive research design. The descriptive research attempts to describe, explain and interpret conditions of the present i.e. "what is". The purpose of a descriptive research is to examine a phenomenon that is occurring at a specific place(s) and time. A descriptive research is concerned with conditions, practices, structures, differences or relationships that exist, opinions held, processes that are going on or trends that are evident.

### 1.5.2 Method of Data Collection

Primary and Secondary Data collection methods have been followed in the research study. Under the primary data collection method structured questionnaire has been used to collect data from the sample respondents. The questionnaire consists of questions which explain about the demography of the respondents like age, marital status, educational qualification, dependents etc., and all the other questions related to the study.

### 1.5.3 Area of the study

The research under study is sought to measure the HRM practices on service quality on public sector banks in Thiruvapur district.

### 1.5.4 Population and sampling procedure

Population of the study consists of employees working in the selected public sector banks in Thiruvapur district. The research study takes up selected public sector banks in Thiruvapur. The banks under consideration include INDIAN BANK, SBI, IOB, and Bank of India. From the large population of respondents, 224 respondents are selected as per stratified random sampling technique.

### 1.5.5 Measures

The data were collected by the use of structured questionnaire containing seventy-seven questions. It was designed to enable us to test employees' perceptions about HRM Practices (staffing, training, compensation, and Performance appraisal and employee relations)

### 1.5.6 Analytical Tools Used

The data collected for the present study are primary as well as secondary in nature.

1. Friedman Test
2. Neural Network Model

The above tests are used to identify the opinion level of the bank employees in the public sector banks in the Thiruvapur District.

## 1.6 ANALYSIS AND INTERPRETATION OF DATA

**FRIEDMAN TEST FOR SIGNIFICANT DIFFERENCE BETWEEN MEAN RANKS OF EMPLOYEE PERCEPTION ON HRM AND SERVICE QUALITY IN SELECT PUBLIC SECTOR BANKS**

**Null Hypothesis:** There is no significant difference between mean ranks towards the employee perception on HRM and service quality.

**Alternative Hypothesis:** There is a significant difference between mean ranks towards the employee perception on HRM and service quality.

Table – 1

**Friedman test for significant difference between mean ranks towards employee perception on HRM and service quality**

Employee perception on HRM and service quality	Mean Rank	Chi-Square value	Degrees of freedom	Asymp. Significant
Organization has growth potential	4.94	66.247	8	.000**
Reliable HR practices	5.64			
Competent HR management	5.23			
Exploitation of the employees	4.96			
Employees ability recognized	4.95			
Employees perform their duty sincerely	4.87			
HR management keeps up promises	5.04			
HR policies affect service quality	4.49			
HRM practices affect performance	4.87			

Source: Output generated from SPSS 20

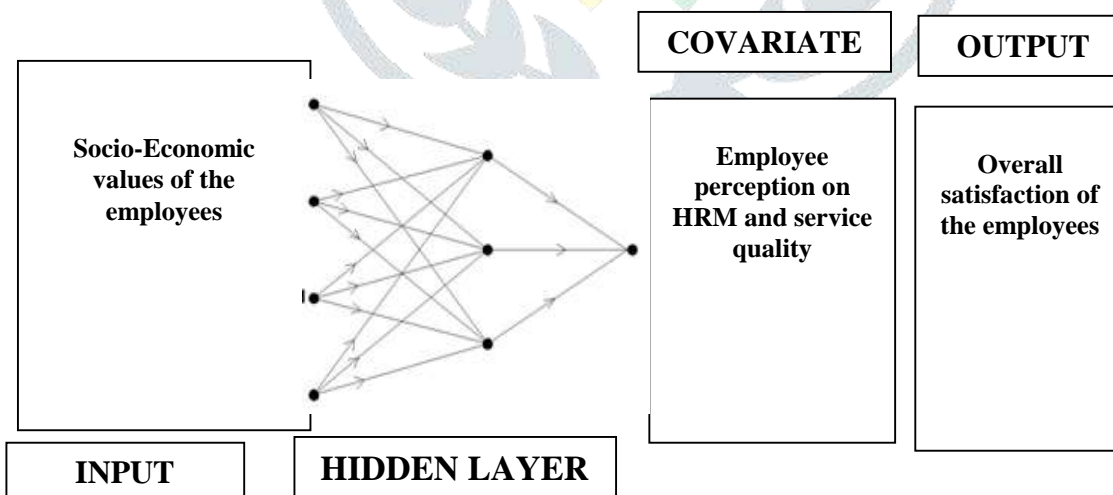
From the above table, it is found out that all the variables related to the employee perception on HRM and service quality had significance value less than 0.05 at 1 Per cent significance, thus the null hypothesis is rejected. Thus, it is concluded that there is significant difference between mean ranks towards employee perception on HRM and service quality. Out of the nine employee perception on HRM and service quality variables, the “Reliable HR practices” has the highest rank (5.64). So, that employee perception on HRM and service quality is influenced by Reliable HR practices.

#### **ANALYSIS OF OVERALL SATISFACTION OF THE EMPLOYEES ON THE EMPLOYEE PERCEPTION ON HRM AND SERVICE QUALITY BY USING THE NEURAL NETWORK (NN) METHOD**

The Neural Network architecture, used in this study, is a multilayer feed forward network using SPSS 20. The architecture which provides the best fit for the data is the network with three hidden layers and an output layer. The learning and momentum parameters are 0.6 and 0.9 respectively and error convergence falls below 0.01 Percent. Tan sigmoid is the activation function chosen for the hidden layers, and the pure linear function is used to get the output layer which is the real time values. The architecture which provides the best fit for the data is the network with eight input layers, nine covariate variables and one hidden layers and one output layer, as shown in figure 1.

Figure – 1

**Basic Neuron Model for Overall satisfaction of the employee on the employee perception on HRM and service quality**



The neural network model stems from the studies on the working of human brain systems, and serves as an associative memory between the input and output patterns. These models contain many densely interconnected elements called Neurons or Nodes. The neuron has a set of “n” inputs “ $x_j$ ”, where the subscript “j” takes a value from 1 to “n” and indicates the source of the input signal. Each input “ $x_j$ ” is weighted before reaching the main body of the processing elements, by the connection strength or weight factor “ $w_j$ ”. (Multiplied by “ $w_j$ ”). In addition, it has a bias term “ $w_0$ ”, a threshold value that has to be reached or exceeded for the neuron to produce a signal, a non-linearity function F that acts on the produced signal (or activation) R, and an output O. The non-linearity function used in this network is the sigmoid. The sigmoid is very popular because it is monotonic, is bounded, and has a derivative:

$f''(s) = kf(s) [1-f(s)]$ . The model used in this work is the Feed Forward Multilayer perception, using the Back Propagation Algorithm. Where (4-3-1)

8-Input layers

9-Covariates layers

1-Hidden layers

1-Output layer

All inputs are analyzed in the experimental validation part, with appropriate output results by the illustration of graphs so that the influences of the parameters of tensile strength are taken into consideration. The network information is presented in the table. The validation of the estimated NN and Experimental value illustrations is shown in Figure.

**Table - 2**  
**Model Summary for Neural Network Model employee perception on HRM and service quality**

Training	Sum of Squares Error	153.634
	Relative Error	.906
	Stopping Rule Used	1 consecutive step(s) with no decrease in error <sup>a</sup>
	Training Time	0:00:00.35
Testing	Sum of Squares Error	79.639
	Relative Error	.874
Dependent Variable: OVERALL SATISFACTION		
a. Error computations are based on the testing sample.		

Source: Output generated from SPSS 20

**Table – 3**  
**Neural Network Model for Overall satisfaction of the employees on the employee perception on HRM and service quality**

Input Layer	Factors	1	Gender
		2	Age
		3	Marital Status
		4	Educational Qualification
		5	Experience
		6	Annual Income
		7	Designation
		8	Basis employed
	Covariates	1	Organization has growth potential
		2	Reliable HR practices
		3	Competent HR management
		4	Exploitation of the employees
		5	Employees ability recognized
		6	Employees perform their duty sincerely
		7	HR management keeps up promises
		8	HR policies affect service quality
		9	HRM practices affect performance
Hidden Layer(s)		Number of Units <sup>a</sup>	35
		Rescaling Method for Covariates	Standardized
		Number of Hidden Layers	1
		Number of Units in Hidden Layer 1 <sup>a</sup>	7
		Activation Function	Hyperbolic tangent
Output Layer	Dependent Variables	1	OVERALL SATISFACTION
	Number of Units		1
	Rescaling Method for Scale Dependents		Standardized
	Activation Function		Identity
	Error Function		Sum of Squares

a. Excluding the bias unit

Source: Output generated from SPSS 20.

The factors of employee perception on HRM and service quality model parameters are modeled by using the Neural Network Method. The parameters are optimized so as to determine the set of parameters, which will influence the increase in the overall satisfaction of the employees towards, Neural Networks Architecture and network information.



Table – 4

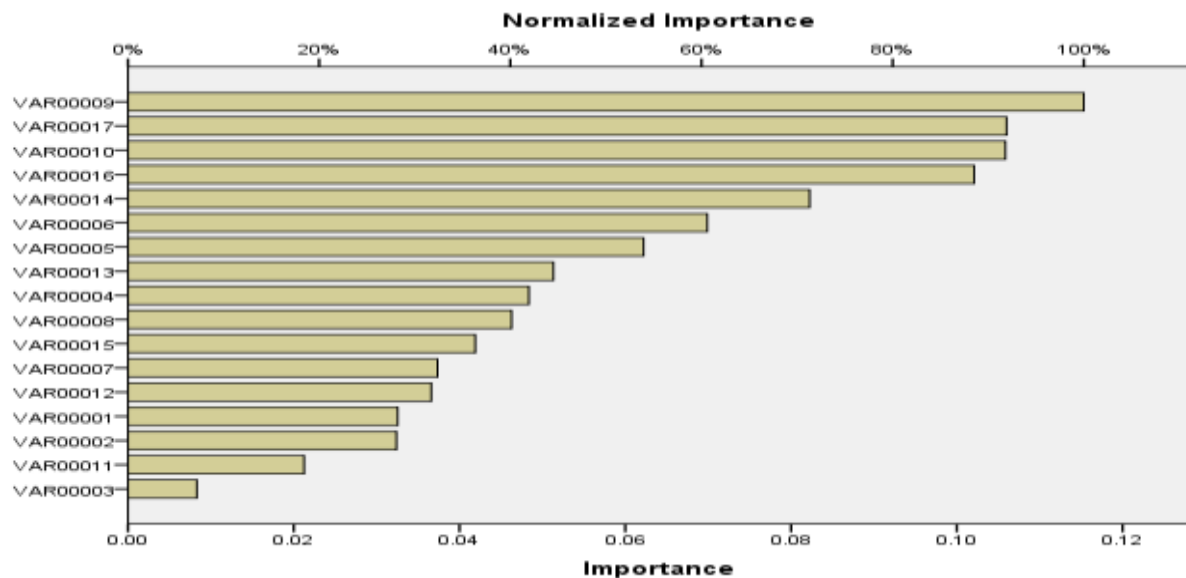
Independent Variable importance for Neural Network Model for the overall satisfaction of the employees on the employee perception on HRM and service quality

Independent Variable Importance	Importance	Normalized Importance
Gender	.033	28.2%
Age	.032	28.1%
Marital Status	.008	7.2%
Educational Qualification	.048	42.0%
Experience	.062	54.0%
Annual Income	.070	60.6%
Designation	.037	32.4%
Basis employed	.046	40.1%
Organization has growth potential	.115	100.0%
Reliable HR practices	.106	91.8%
Competent HR management	.021	18.4%
Exploitation of the employees	.037	31.7%
Employees ability recognized	.051	44.5%
Employees perform their duty sincerely	.082	71.3%
HR management keeps up promises	.042	36.3%
HR policies affect service quality	.102	88.5%
HRM practices affect performance	.106	91.9%

Source: Output generated from SPSS 20

Figure – 2

Normalized importance for overall satisfaction of the employees on the employee perception on HRM and service quality



The table and diagram shows employee perception on HRM and service quality in respect of “Organization has growth potential” is contribute more towards the output of overall satisfaction of the employees.

## 1.7 FINDINGS, SUGGESTIONS AND CONCLUSION

### Findings

1. Found out that all the variables related to the employee perception on HRM and service quality had significance value less than 0.05 at 1 Per cent significance, thus the null hypothesis is rejected. Thus, it is concluded that there is significant difference between mean ranks towards employee perception on HRM and service quality. Out of the nine employee perception on HRM and

service quality variables, the “Reliable HR practices” has the highest rank (5.64). So, that employee perception on HRM and service quality is influenced by Reliable HR practices.

2. The factors of employee perception on HRM and service quality model parameters are modeled by using the Neural Network Method. The parameters are optimized so as to determine the set of parameters, which will influence the increase in the overall satisfaction of the employees towards, Neural Networks Architecture and network information.

3. Employee perception on HRM and service quality in respect of “Organization has growth potential” is contribute more towards the output of overall satisfaction of the employees.

### Suggestions

The present study is an attempt to find out and analyze the Implementation of HR practices in banking sector of Thiruvallur district. Organizations should carefully conduct recruitment and selection process. Organizations should induce employees to perform well. This can be achieved by providing reward, motivations, and other benefits etc.

### Conclusion

The banking sector, especially of the developing economies like India, is facing lot of tough competition, talent crunch, and skill shortage. All these have made the banks feel that the internal customer is also more important equally with external customers, so every bank is trying to devise innovative HR practices to attract best talent and give them comfortable environment to work with, that enables the banks to retain talents and deliver better service quality. The main focus of the present study was on understanding some of the innovative HRM practices that stem from functionally logical strategic initiatives in response to a hypercompetitive, complex but opportunity-rich environment, which has opened up in Indian banking sector due to the economic reforms. These innovative HRM practices are not a random collection but practices which may be considered as “best” practices by the HR department of these banks and which have yielded excellence in performance under service quality.

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